



**TESTIMONY OF
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**ON THE
COAST GUARD FISCAL YEAR 2014 BUDGET REQUEST**

**BEFORE THE
HOUSE SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION**

APRIL 16, 2013

INTRODUCTION

Good morning Mr. Chairman and distinguished members of the Committee. Thank you for the continuing support you have shown to the men and women of the United States Coast Guard, including the funding provided in the *Consolidated and Further Continuing Appropriations Act, 2013* to recapitalize the aging fleet and sustain front-line operations.

This year marks our 223rd year of protecting those on the sea, protecting the Nation from threats delivered by the sea, and protecting the sea itself. The Coast Guard is the Nation's maritime first responder. We are vested with unique authorities, equipped with capable cutters, boats, aircraft and infrastructure, and are comprised of the best people the Nation has to offer. We are *Semper Paratus* – Always Ready to meet the Nation's evolving maritime safety, security and stewardship needs. We are locally based, nationally deployed and globally connected.

I am here today to discuss the Coast Guard's FY 2014 Budget Request. Before discussing the details of the request, I would like to take this opportunity to highlight some of the Coast Guard's recent operational successes, our value and role in the Department of Homeland Security (DHS), and in service to the Nation.

Over the past year, Coast Guard men and women (Active Duty, Reserve, Civilian and Auxiliarists), with strong support from our families, continued to deliver premier service to the public. When Hurricane Sandy threatened the eastern seaboard, the Coast Guard acted with the speed, agility and courage that America expects during natural disasters. In advance of the storm's landfall, we worked with the interagency, industry and state and local partners to ensure our ports and maritime transportation system were prepared. As the storm raged, our aircrews and cutters responded to the foundering HMS BOUNTY, rescuing 14 crewmembers from the 30 foot seas and 60 knot winds. In the Port of New York and New Jersey, Coast Guard personnel restored the aids to navigation system within days, worked with Customs and Border Protection, the Army Corps of Engineers, local government and industry to reopen the port to commerce, helped de-water flooded tunnels leading to Manhattan, and contained 378,000 gallons of diesel fuel that had spilled into the Arthur Kill waterway when the storm surge caused the failure of shoreside fuel storage tanks.

To assess our capabilities and prepare to meet the emerging challenges in the Arctic, we successfully completed *Operation Arctic Shield*, a nine-month interagency effort to assess our capabilities, including the deployment of a National Security Cutter and two of our ocean going, light ice capable buoy tenders, as well as the temporary assignment of two H-60 helicopters 300 miles north of the Arctic Circle.

Last year, the Coast Guard responded to 19,790 Search and Rescue cases and saved over 3,500 lives; seized over 107 metric tons of cocaine and 56 metric tons of marijuana destined for the United States; seized 70 vessels, detained 352 suspected smugglers; conducted over 11,600 annual inspections of U.S. flagged vessels; conducted 4,600 marine casualty investigations; conducted more than 9,000 Port State Control and Security examinations on foreign flagged vessels; and responded to 3,300 pollution incidents.

This past year we made great strides in recapitalizing the Coast Guard's aging fleet. In October we will christen the fourth National Security Cutter, Coast Guard Cutter HAMILTON, and I am pleased to report that the funding you provided for the three National Security Cutters currently in operation have produced the most effective cutters the Service and the Nation have ever put to sea. In addition to providing us off-shore presence in the Arctic during heightened summer activity, these remarkable ships have excelled in interdicting drug and migrant smuggling in the eastern Pacific and have enabled the Coast Guard to provide command and control, helicopter, and boat capabilities from the farthest reaches of the Pacific to the Bering Sea. I am also very pleased with our new Fast Response Cutters. To date, we have taken delivery of five of these new highly capable patrol boats. We have also taken delivery of 14 new HC-144 medium range surveillance aircraft, contracted for the ninth HC-130J and have nearly completed the H-60 conversion project. At the Coast Guard YARD, we completed work on the Patrol Boat Mission Effectiveness Project, extending the service lives of our 110 foot patrol boats, and continued work on the sustainment projects for our fleet of Medium Endurance Cutters. We also recently completed an overhaul of the Cutter POLAR STAR, returning the Nation's only heavy icebreaker to active service. None of these critical recapitalization milestones would have been reached without the strong support of the Committees.

Despite these successes, we still have a long way to go to recapitalize the Coast Guard with the ships, boats and aircraft needed to ensure the Nation's response to maritime threats and hazards well into the future.

As a military service, we provide unique, specialized capabilities as part of the Joint Force. But the Coast Guard is much more. We are the maritime arm of the Department of Homeland Security. We seek to prevent dangerous or illicit maritime activities, and if undesirable or unlawful events do occur—whether deliberate or accidental—to rapidly respond in order to protect the Nation, minimize the impact, and recover.

Every day the Coast Guard acts to prevent and respond to an array of threats that, if left unchecked, impede trade, weaken our economy and create instability. These threats disrupt regional and global security, the economies of partner nations, access to resources and international trade. All of these are vital elements to our national prosperity. And it is this prosperity which spurs investment and global development, provides jobs, and provides the resources to pay for both our national security and our national defense. It is Coast Guard men and women, working every day in the maritime domain, who enhance our security, reinforce the rule of law, support stability at home and abroad, and increase our prosperity.

The Coast Guard:

- *Protects those on the sea: leading responses to maritime disasters and threats, ensuring a safe and secure Maritime Transportation System, preventing incidents, and rescuing those in distress.*
- *Protects the Nation from threats delivered by sea: enforcing laws and treaties, securing our ocean resources, and ensuring the integrity of our maritime domain from illegal activity.*
- *Protects the sea itself: regulating hazardous cargo transportation, holding responsible parties accountable for environmental damage and cleanup, and protecting living marine and natural resources.*

FY 2014 REQUEST:

The Coast Guard's FY 2014 Budget allocates available resources to address today's greatest maritime safety and security needs, while making the necessary investment in new cutters and boats, and sustainment of aircraft, systems, and infrastructure necessary to ensure the viability of the Coast Guard well into the future. The Coast Guard's approach in the FY 2014 budget was to assess operational risk (both in the near and long-term) and strategically allocate resources to best mitigate these risks. The Coast Guard must continue to strike a balance between investment in current operations and continued recapitalization. This balanced approach is critical to ensure the Service's continued ability to carry out its missions safely and effectively both now and into the future.

New York, NY – Coast Guard Cutter Spencer patrols the Port of New York and New Jersey as part of the Coast Guard's response to Hurricane Sandy. After the storm, Spencer functioned as a mobile command center for Coast Guard units involved in recovery efforts.

The Coast Guard's FY 2014 strategic and budget priorities are to:

1. Build Essential Coast Guard Capability for the Nation;
2. Strengthen Resource and Operational Stewardship; and
3. Sustain the Most Critical Front-Line Operations

Highlights from our request are included in Appendix I.

Build Essential Coast Guard Capability for the Nation

The condition and serviceability of the Coast Guard's current surface fleet, the aging of both fixed and rotary air assets, and the projected timelines to replace these assets require the Coast Guard to continue investment in surface and air recapitalization and sustainment programs to maintain the capability necessary to operate in areas strategically important to our Nation. Although there are inherent challenges in making the necessary capital investments given the current budget environment, these investments cannot be further deferred without substantial reductions in near-term and long-term mission performance. Coast Guard recapitalization provides significant direct and indirect impacts to U.S. national security and economic prosperity.



Strengthen Resource and Operational Stewardship

The Coast Guard's FY 2014 budget proposes tradeoffs and targeted reductions to lower-risk mission activities, programs and training. It also defers investment in lower priority capabilities planned in prior years. For example, the FY 2014 budget decommissions two C-130Hs and two High Endurance Cutters to avoid escalating maintenance costs for those legacy assets and consolidates regional assets where overlapping capabilities exist by closing Air Facilities in Newport, OR and Charleston, SC. Available resources are aligned to our Nation's highest priorities, and we must balance the imperative for key investments in the future with our need to continue prudent but essential investments in today's missions and capabilities.

Sustain the Most Critical Front-Line Operations

The FY 2014 budget sustains the most critical frontline operations, including detecting and interdicting drugs and those attempting to enter the United States illegally, maintaining search and rescue missions, protecting critical infrastructure and key resources, facilitating the safe and efficient flow of our Nation's commerce, protecting our Nation's natural resources, supporting foreign policy objectives, protecting the environment, and providing for the security of the American public.

CONCLUSION

The United States is first and foremost a maritime nation. Over 50 million jobs and 95 percent of foreign trade rely upon the safety and security of our Nation's ports and waterways. Coast Guard missions, authorities and capabilities are crucial to providing for that safety and security and preserving our national interests. We ensure the safe and secure flow of commerce, patrol our vast exclusive economic zone, fight maritime drug smuggling and human trafficking, provide the nation's maritime first response force to both natural and manmade disasters, and protect our shores against transnational criminals, extremists, and others who seek to do us harm. Our national security depends upon our economic security, environmental security, energy security and the security of our ports, and we remain focused on protecting the United States as the strong maritime arm of the DHS. As we face the continued expansion of the full range of human activity, both lawful and illicit, affecting our nation, continued investment in the Coast Guard is essential – even in a constrained fiscal environment. The Coast Guard's FY 2014 budget request allocates resources to the highest priority initiatives to counter the most emergent threats, mitigate risks, and keep the maritime domain safe and secure. I request your full support for the funding requested for the Coast Guard in the President's FY 2014 Budget. Again, thank you for the opportunity to testify before you today. I am pleased to answer your questions.

Appendix I - FISCAL YEAR 2014 BUDGET REQUEST

BUILD ESSENTIAL COAST GUARD CAPABILITY FOR THE NATION

Surface Assets

\$743.0M (0 FTE)

The budget provides \$743.0 million for surface assets, including the following surface asset recapitalization and sustainment initiatives:

- **National Security Cutter (NSC)** – Provides funding for the seventh NSC; NSCs will replace the aging fleet of High Endurance Cutters, first commissioned in 1967. The acquisition of NSC-7 is vital for performing DHS missions in the far off-shore regions, including the harsh operating environment of the Pacific Ocean, Bering Sea, and Arctic as well as providing for robust homeland security contingency response.
- **Fast Response Cutter (FRC)** – Provides production funding to procure two FRCs. These assets replace the aging fleet of 110-foot patrol boats, and provide the coastal capability to conduct Search and Rescue operations, enforce border security, interdict drugs, uphold immigration laws, prevent terrorism, and ensure resiliency to disasters.
- **Offshore Patrol Cutter (OPC)** – Continues initial acquisition work and design of the OPC. The OPC will replace the Medium Endurance Cutter class to conduct missions on the high seas and coastal approaches.
- **Polar Ice Breaker (WAGB)** – Continues funding for pre-acquisition activities for a new Coast Guard polar icebreaker, including resources to support development of the Mission Needs Statement, Concept of Operations, and Preliminary Operational Requirements Document. This cutter will provide continued heavy icebreaking capability to the nation for missions in the Arctic and Antarctic following the projected end of service life of the POLAR STAR on or about 2022.
- **Cutter Boats** – Provides continued funding for production of multi-mission cutter small boats that will be fielded on the Coast Guard's major cutter fleet.
- **In-Service Vessel Sustainment** – Continues to fund sustainment projects on 140-foot ice breaking tugs (WTGB) and the Cutter EAGLE (WIX).
- **Survey and Design** – Builds upon previous years to continue multi-year engineering and design work for multiple cutter classes in support of future sustainment and acquisition projects.

Air Assets

\$28.0M (0 FTE)

The budget provides \$28.0 million for the following air asset recapitalization or enhancement initiatives:

- **HH-65** – Continues modernization and sustainment of the Coast Guard's fleet of HH-65 helicopters, converting them to MH-65 Short Range Recovery (SRR) helicopters. The modernization effort includes reliability & sustainability improvements, where obsolete components are replaced with modernized sub-systems, including an integrated cockpit and sensor suite.
- **C-130H/J** – Funds sustainment of avionics systems on existing C-130H aircraft in order to meet new FAA requirements and replace life-limiting and obsolete components.

Asset Recapitalization – Other

\$59.9M (0 FTE)

The budget provides \$59.9 million for asset recapitalization, including the following equipment and services:

- **Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR)** – Provides design, development, upgrades and assistance on C4ISR hardware and software of new and in service assets.
- **CG-Logistics Information Management System** – Continues development and deployment to Coast Guard operational assets and support facilities.
- **Nationwide Automatic Identification System (NAIS)** – Continues deploying the permanent transceiver system to recapitalize the existing interim NAIS capability in 58 ports and 11 coastal areas.

Shore Units and Aids to Navigation (ATON)

\$5.0M (0 FTE)

The budget provides \$5.0 million to recapitalize shore infrastructure for safe, functional, and modern facilities that support Coast Guard assets and personnel.

Personnel and Management

\$115.8M (818 FTE)

The budget provides \$115.8 million to provide pay and benefits for the Coast Guard's acquisition workforce.

STRENGTHEN RESOURCE AND OPERATIONAL STEWARDSHIP

Adjustment for FY 2013 Initiatives

\$57.0M (-306 FTE)

This adjustment captures the \$57 million net impact of FY2013 initiatives.

Annualization of Fiscal Year 2013

\$19.7M (108 FTE)

The budget provides \$19.7 million to provide full-year resources for new cutter, aircraft and boat operating and maintenance funding (including personnel), for those assets delivered in the prior year.

Operating and Maintenance Funds for New Assets

\$64.7M (213 FTE)

The budget provides a total of \$64.7 million to fund operations and maintenance of shore facilities and cutters, boats, aircraft, and associated C4ISR subsystems delivered through acquisition efforts. Funding is requested for the following assets and systems:

- **Shore Facilities** – Funding for the operation and maintenance of shore facility projects scheduled for completion prior to FY 2014.
- **Response Boat-Medium** – Funding for operation, maintenance and support of 30 RB-Ms as well as personnel for maintenance support requirements and instructors to support fleet training requirements.
- **Rescue 21 (R21)** – Funding for the support of the R21 System as well as maintenance of Coast Guard leased and owned towers, Western Rivers communications sites, and encrypted communications for over-the-air-re-key.
- **FRC** – Operating and maintenance funding for FRCs #10-12 and funding for personnel to operate and maintain hulls #11-12, homeported in Key West, FL as well as the first two San Juan, PR hulls.
- **NSC** – Operating and maintenance funding for NSC #4 to be homeported in Charleston, SC. The initiative also provides personnel to operate NSCs # 4-5.

- **HC-144A MPA** – Operating and maintenance and personnel funding to operate and support aircraft #16-17 that will be assigned to Air Station Corpus Christi, TX. Also funds maintenance of the first 17 Mission System Pallets (MSPs)—the sensor package for each operational HC-144A.
- **Manned Covert Surveillance Aircraft (MCSA)** – Operating, maintenance and personnel funding to operate and support the first aircraft which is planned to operate out of Miami, FL and provide an additional 1,000 hours of maritime surveillance capacity.
- **Air Station Corpus Christi Transition** – Provides funding for the transition from operating HU-25 aircraft to operation of HC-144A aircraft.

Financial Systems Modernization

\$29.5M (0 FTE)

Provides funding to support the Financial Management Service Improvement Initiative (FMSII) for Coast Guard and Transportation Security Administration (TSA). This initiative will plan, prepare, configure, test, and migrate the Coast Guard's and TSA's financial management system (FMS) including the financial, contract, and asset accountability management systems to a shared service provider (SSP).

SUSTAIN THE MOST CRITICAL FRONT LINE OPERATIONS

ASSET DECOMMISSIONINGS

In FY 2014 the Coast Guard will make targeted operational reductions to prioritize and sustain front-line operational capacity and invest in critical recapitalization initiatives.

High Endurance Cutter (HEC) Decommissionings

-\$14.2M (-184 FTE)

With the average cutter age at 44 years, the WHEC fleet has exceeded its service life and has become increasingly difficult to maintain and sustain operationally. The decrease in offshore operational capability by decommissioning these two cutters in the short-term will be mitigated by the commissioning of NSC-4.

Cutter Shoreside Support Personnel Reduction

-\$0.8 M (-10 FTE)

Reduces WHEC Maintenance Augmentation Team (MAT) and Surface Forces Logistics Center (SFLC) billets associated with the decommissioning of two WHECs.

HU-25 Aircraft Retirements

-\$9.4M (-36 FTE)

Retires the eight remaining HU-25 aircraft assigned to Coast Guard Air Station Corpus Christi, TX; Aviation Logistics Center, Elizabeth City, NC; and, Aviation Training Center, Mobile, AL. This will allow for the transition to HC-144A aircraft.

HC-130 Aircraft Retirements

-\$7.7M (-29 FTE)

With the average age of 28 years, the HC-130H fleet has become increasingly difficult to maintain and sustain operationally. This initiative eliminates funding and personnel associated with two HC-130H aircraft.

Close Air Facilities

-\$5.1M (-28 FTE)

The Coast Guard will close AIRFACs at Charleston, SC and Newport, OR—reducing the fleet of HH-65 helicopters by 4 and reducing their associated operating expenses and personnel from their parent units. The Search and Rescue response times within the AIRFAC areas of responsibility will remain within national standards.

Enterprise-wide Efficiencies

-\$52.7M (-53 FTE)

The Coast Guard will seek efficiencies and cost reductions in the areas of support personnel (commensurate with workforce reductions of this and prior years); technology application and leveraging; vehicle fleet mix optimization; travel and administration reductions; consolidation within leased real estate; planned real estate divestiture; reduction of civilian temporary hires, awards, and incentives; and, other efficiencies.

Programmatic Reductions

-\$54.3M (-251 FTE)

The budget proposes targeted reductions in several base program areas. These base adjustments recognize changes in requirements need for selected activities and prioritizes sustainable investment in recapitalization programs.

- **CG Headquarters Staffing** – Reduces CG Headquarters personnel by 5-percent, 15-percent below FY 2012 levels, leveraging the existing hiring freeze and normal workforce attrition tools.
- **Targeted Intelligence Program** – Scales intelligence activities across the Service by consolidating analysts at centers, Areas, and Districts; consolidating IT support positions at headquarters; and, eliminating the 24/7 call-in maritime watch at the El Paso Intelligence Center (EPIC) that provides services that will remain available through a different watch floor.
- **Drug and Alcohol Program Inspectors** – Reduces the District Drug and Alcohol Program Inspectors (DAPI) and will shift routine DAPI functions to appropriately trained Coast Guard Marine Inspectors and Investigators.
- **International Port Security Program** – The Coast Guard has recently signed a Memorandum of Understanding with the European Commission on the mutual recognition of port facility security inspection processes. This will permit reduction of work within European Union port facilities and reassignment of some billets at Activities Europe to Africa where many countries are struggling to have effective anti-terrorism measures in their ports.
- **Port State Control Examinations** – Reduces Port State Control personnel by limiting examination activities aboard some foreign flagged vessels assessed as lower risk.
- **Auxiliary Program Management** – Reduces oversight and support billets for the Coast Guard Auxiliary.
- **Coast Guard Training** – Focused reduction will leverage web-based distance learning and reduce schoolhouse throughput. Specialty and technical training schools will group into centers of expertise to leverage available resources. Educational benefits will be focused on enlisted personnel who are pursuing an initial undergraduate degree. Reduces accessions and support staffs as well as operational and maintenance funds at the Coast Guard Academy, Leadership Development Center, and Officer Candidate School.